LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7443 | **NOTE PREPARED:** Jan 6, 2011
BILL NUMBER: HB 1270 | **BILL AMENDED:**

SUBJECT: Taxation of cooperative housing corporations.

FIRST AUTHOR: Rep. Pryor | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** | **IMPACT:** Local
DEDICATED
FEDERAL

Summary of Legislation: This bill establishes standards for determining when a cooperative housing corporation is eligible for a standard deduction or a 1% circuit breaker credit.

Effective Date: March 1, 2011 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, homesteads receive a standard deduction worth 60% of AV up to $45,000. Homesteads also receive the supplemental standard deduction worth 35% on the first $600,000 of net AV after the standard deduction plus 25% of the net AV that exceeds $600,000. In addition, homestead property is subject to a 1% circuit breaker cap.

A homestead is defined as a an individuals's principal residence that the individual owns or is entitled to occupy as a tenant-stockholder of a cooperative housing corporation or one that is owned by certain trusts. This bill would define an eligible cooperative housing corporation. A tenant-stockholders would qualify as a homesteader only if the corporation is an *eligible* cooperative housing corporation.

Under this bill, an eligible cooperative housing corporation must:

1. Have title to the homestead property;

2. Have majority ownership by homesteaders; and
3. Have shares which are bought and sold at a price that is substantially equal to the true tax value of the occupied homesteads.

This bill would restrict homestead status to only those housing co-ops that meet these guidelines. Co-op property that doesn't meet the above guidelines would lose their homestead status beginning with taxes payable in CY 2012. There is no data currently available to identify those properties that would be affected.

Loss of homestead status for any property would mean the loss of the standard and supplemental standard deductions, as well as being subject to the 2% circuit breaker cap for non-homestead residential property rather than the 1% cap for homesteads. The loss of the deductions would add assessed value to the tax base and shift part of the tax burden to the affected property owners from all other property owners. The higher property tax cap would potentially reduce revenue losses for taxing units where the property is located.

State Agencies Affected:

Local Agencies Affected: County auditors. Local civil taxing units and school corporations.

Information Sources:

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